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COBRA Subsidy Eligibility Period Extended to May 31

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WASHINGTON — Workers who lose their jobs during April and May may qualify for a 65-percent subsidy on their COBRA health insurance premiums, according to the Internal Revenue Service. The American Recovery and Reinvestment Act established this subsidy to help workers who lost their jobs as a result of the recession to maintain their employer sponsored health insurance.

The Continuing Extension Act of 2010, enacted April 15, reinstated the COBRA subsidy, which had expired on March 31. As a result, workers who are involuntarily terminated from employment between Sept. 1, 2008 and May 31, 2010, may be eligible for a 65-percent subsidy of their COBRA premiums for a period of up to 15 months. In some cases, workers who had their hours reduced and later lose their jobs may also be eligible for the subsidy.

Employers must provide COBRA coverage to eligible individuals who pay 35 percent of the COBRA premium. Employers are reimbursed for the other 65 percent by claiming a credit for the subsidy on their payroll tax returns: Form 941, Employers QUARTERLY Federal Tax Return, Form 944, Employer's ANNUAL Federal Tax Return, or Form 943, Employer's Annual Federal Tax Return for Agricultural Employees. Employers must maintain supporting documentation for the claimed credit.

There is much more information about the COBRA subsidy, including questions and answers for employers, and for employees or former employees, on the <u>COBRA pages of IRS.gov</u>.